



CALIFORNIA EMPLOYER

Welfare reform act changes new employee reporting requirements

The state New Employee Registry (NER) was established through state legislation signed by Governor Pete Wilson in 1992 to address the growing problem of nonpayment of child support and the burden this placed on all California taxpayers.

Since then, California employers in 17 industries have been reporting hiring information, which is used to locate parents who are delinquent in their child support obligations.

On August 22, 1996, the President signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (H.R. 3734). Under the new federal requirements resulting from this legislation, all employers must report all new hires, and additional information also must be reported.

Federal law allows employers to use W-4 forms, or other equivalent forms, for NER reporting at the option of the employer. The Employment Development Department

REQUIREMENT	EXISTING CALIFORNIA NER	NEW FEDERAL NER
Who must report:	- Employers in 17 industries	- All employers
Report frequency:	- Within 30 days of hiring	- Within 20 days of hiring
Reporting exemptions:	- Workers under 18-years-old. - Workers paid less than \$300. - Employers with less than four employees.	- None
Information that must be reported:	- Employee's first initial, last name, and Social Security number. - Employer's name, address, and EDD account number.	- Employee's full first name, last name, Social Security number, and home address. - Employer's name, address, EDD account number, and Federal Employer Identification Number.

ment (EDD) will encourage the use of a modified *Report of New Employee(s)* form (DE 34) or a similar format to allow for cost-effective processing of NER data. Reports will still be accepted through the mail, by fax, or by magnetic media.

States with existing NER programs, such as California, have until October 1, 1998, to fully implement all provisions of this federal legislation.

(continued on page 3)

Notification of contribution rates will be sent out in December

It is that time of year again when employers are notified of their contribution rates. You should receive your *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088) before the end of December.

The rate schedule for 1997 will be Schedule "E."

The change from Schedule "F" in 1996 to Schedule "E" in 1997 could result in a decrease ranging from 0.2 percent to 0.4 percent in your UI tax rate in 1997. The Disability Insurance rate for 1997 will be 0.5 percent and the taxable wage limit will be \$31,767.

We recommend that you enter your contribution rates (UI, ETT, and DI) and the taxable wage limits on the rate page of your *Payroll Tax Deposit Coupon* (DE 88) booklet for easy reference throughout the year.

Questions?

EDD's automated call processing system can provide answers to your questions about contribution rates. Please call (916) 322-0507 to reach this easy to use service, which is accessible 24-hours a day, seven-days a week. To expedite your call, please have your account statement and employer account number available.

IN THIS ISSUE

Values of meals and lodging.....2
Electronic Funds Transfer2
UI Seminar for School Employers ..2

Reporting PIT information3
Work-related moving expenses3
Annual interest rate3
Year-end checklist3

Benefit Audit Program4
How to report and correct reporting mistakes4
Governor's Older Worker Awards..4

Taxable values of meals and lodging

Based on an increase in the cost-of-living indexes, the Employment Development Department has proposed changes in the values of meals and lodging for 1997 (see chart at right). This schedule will be in effect as of January 1, 1997.

Reporting Reminders

Employers who provide meals or lodging to employees in addition to or instead of cash wages are reminded that both Unemployment and Disability Insurance contributions apply to these forms of compensation. Meals and lodging are subject to state income tax withholding unless furnished for the convenience of the employer on the employer's premises.

NONMARITIME EMPLOYEES		MARITIME EMPLOYEES	
<u>Meals</u>	<u>Value</u>	<u>Licensed Personnel</u>	<u>Value</u>
- Breakfast.....	\$ 1.55	- Meals.....	\$ 7.10
- Lunch.....	2.15	- Quarters.....	4.50
- Dinner.....	3.40	- Total per day.....	\$11.60
- 3 meals per day.....	\$ 7.10		
- A meal not identified as either breakfast, lunch, or dinner.....	\$ 2.45	<u>Unlicensed Personnel</u>	<u>Value</u>
		- Meals.....	\$ 7.10
		- Quarters.....	3.05
		- Total per day.....	\$10.15
<u>Lodging Value</u>		<u>Fishermen</u>	
- Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$666 per month or less than \$21.60 per week.		- Lodging value is \$21.60 per week or \$3.09 a day for periods of less than a week.	
(Note: Values do not apply where higher valuations for meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws.)			

Electronic Funds Transfer: mandatory filing and upcoming changes

Notification letters were mailed on October 31, 1996, to employers who met the requirement for mandatory Electronic Funds Transfer (EFT) participation.



Employers meeting this requirement to remit tax payments via EFT beginning January 1, 1997, are those whose average tax deposit (per payment) for Disability Insurance (DI) and Personal Income Tax (PIT) withholding is \$20,000 or more during the prior state fiscal year (July 1 to June 30).

Failure to remit by EFT may result in a noncompliance penalty of 10 percent of

the amount remitted, plus interest. Employers who have met the requirement in the preceding calendar year are still required to pay via EFT and will not be issued a new notice.

EFT Changes

The Employment Development Department has enhanced the EFT program to provide better services for participants. Many taxpayers now are participating voluntarily because they are pleased with the ease and convenience of reporting tax payments via EFT.

Effective January 1, 1997, the following changes will be implemented for employers selecting the **Automated Clearing House (ACH) debit method**:

- New telephone number: 1-800-554-7500
- New payment prompts that make reporting your tax payments easier.
- Software is available for employers using personal computers.
- Warehousing (optional) to set up the reporting of tax payments 60 days in advance.

For more information on the EFT program, please call the EFT Helpline at (916) 654-9130, fax (916) 654-7441, or write to: EDD; Attn.: EFT Unit, MIC 15; P.O. Box 826880; Sacramento, CA 94280-0001

UI Seminar for School Employers set for S.F.

The annual Unemployment Insurance Seminar for School Employers is scheduled for February 6-7, 1997, at the Clarion Hotel in San Francisco.

This year's agenda includes presentations on managing Unemployment Insurance claims (geared towards the novice), misconduct and reasonable assurance, California taxes, and a mock hearing with an Administrative Law Judge. This

event is sponsored by the School Employer Advisory Committee in cooperation with EDD.

School employers who are interested in attending and who have not received registration materials by December 1 should contact EDD's School Employees Fund Unit, MIC 68; P.O. Box 2482; Sacramento, CA 95812-2482; or call (916) 324-1687.

Tips for completing the 1996 DE 88

- Use the 1996 DE 88 coupons, Rev. 12 (1-96), and *destroy all prior year booklets*.
- Enter positive amounts only on the DE 88 coupon.
- Check to ensure the payment amounts are entered in the correct boxes (i.e., UI in the UI box, DI in the DI box, etc.).

Reported PIT info should match W-2 forms



Does the Personal Income Tax (PIT) information you report on your quarterly Report of Wages to EDD match the totals on your employees' W-2 and/or 1099R forms? If they do *not* match, you may be contacted by the Franchise Tax Board (FTB) or EDD.

The PIT withholding information you provide EDD is forwarded to FTB for use in their Income Tax Return Validation process. Before issuing income tax refunds, the FTB verifies the income tax withheld claimed by the taxpayers against the amount reported on their individual W-2s and the withholding information stored at EDD. Beginning January 1, 1997, EDD also will forward the PIT wage information to FTB for use in their validation process.

If there are discrepancies in this information, EDD or FTB may contact you to resolve the differences. If you have questions regarding PIT withholding information, please contact the FTB at (800) 852-5711.

New employee reporting requirements

(continued from page 1)

Implementation dates and requirements will be mailed to each employer, and also will be published in this newsletter and other tax periodicals. If you have questions about NER reporting, please contact the New Employee Registry Hotline at (916) 657-0529.

Transcribers are excluded from coverage

Transcribers of depositions, court proceedings and hearings who perform those services while away from the office of the person, firm, or association obligated to produce a transcript of the proceedings are excluded from coverage for Unemployment and Disability Insurance, and Employment Training Tax under Section 630 of the California Unemployment Insurance Code. Remuneration paid for such services is also not subject to California Personal Income Tax withholding.

New law changes reporting of work-related moving expenses

On September 26, 1996, Governor Pete Wilson signed into law Senate Bill 38. One of the provisions of this bill requires that, for state income tax purposes, work-related moving expenses incurred as of January 1, 1996, be treated the same way as they are for federal income tax purposes.

Therefore, moving expenses as defined in Section 217 of the Internal Revenue Code are no longer shown in Box 17 of the W-2 form. Moving expenses should be shown only in Box 13 coded "P."

Specific questions regarding the treatment of work-related moving expenses for Unemployment Insurance, Disability Insurance, Employment Training Tax, and California Personal Income Tax withholding purposes should be directed to your local Employment Tax Customer Service Office. Check the State Government section of your telephone directory for the office nearest you.



Annual interest rate remains at 9 percent

The annual interest rate for the period January 1 through June 30, 1997, for delinquent contributions and taxes will be nine percent (.09), compounded daily. The daily interest factor will be .000247.

If you have any questions on this rate, please contact your local Employment Tax Customer Service Office, which is listed in the *California Employer's Guide* (DE 44) or in the State Government section of your telephone directory.

Year-end checklist for employers

FORM NUMBER	FORM TITLE	DUE OR RECEIVED BY*	MAILED OR RECEIVED (✓)
DE 6	<i>Quarterly Contribution Return - 1996 Fourth Quarter</i>	Delinquent if not filed by January 31, 1997.	—
DE 7	<i>Annual Reconciliation Return</i>	Delinquent if not filed by January 31, 1997.	—
W-2 1099-R	<i>Wage and Tax Statement Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance, Contracts, etc.</i>	To employee(s) by January 31, 1997.	—
DE 44	<i>1997 California Employer's Guide</i>	Mailed to employers from November to December 1996.	—
IRS Form 940 or 940EZ	<i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i>	Line 5 of IRS Form 940 should balance to total of Line D2 of <i>Annual Reconciliation Return</i> (DE 7).	—

* If any date shown falls on a Saturday, Sunday, or legal holiday, use the next regular workday.

Benefit Audit Program is working for employers

The Benefit Audit Program continues to be an important tool in the detection of fraud against the Unemployment Insurance (UI) program. This program matches quarterly employee wage data submitted by employers with the file of UI benefits paid.

When potential fraud situations are identified, employer assistance is necessary to identify the actual weeks worked so that a determination can be made.

During state fiscal year 1995-96, the Benefit Audit Program identified 122,075 cases of fraud against the UI fund. A total of \$57.3 million in benefit overpay-

ments were established and the employers' reserve or reimbursable accounts credited.

EDD strongly encourages employers to complete and return all benefit audit forms received because your cooperation is essential to the success of this program. With assistance from employers, EDD collected a total of \$45.4 million, which was returned to the UI fund.

If you would like more information about the program or need assistance in completing benefit audit forms, please call (916) 464-2350.

How to report and correct payment and reporting mistakes

Do you know when you need to report deposit or wage errors to EDD? When EDD changed from a quarterly to an annual reconciliation process, it eliminated the need for many minor adjustments to employer accounts and simplified the reporting process.

To help you determine what steps to take to correct mistakes, EDD has provided a

chart detailing the process in the 1997 *California Employer's Guide* (DE 44). You should receive your copy of the *Employer's Guide* in November or December.

If you need help immediately, please call your local Employment Tax Customer Service Office for specific instructions.

Employment Tax Information

General Information or Requests for Tax Forms (25 copies or less)	Contact your nearest Employment Tax Customer Service Office	Offers in Compromise	(916) 464-0646 Fax: (916) 464-2077
Electronic Funds Transfer	(916) 654-9130 Fax: (916) 654-7441	Registration for an Employer State ID	(916) 654-7041 Fax: (916) 654-9211
Forms Request (more than 25 copies)	(916) 322-2835 Fax: (916) 327-9171	Tax Rates and Benefit Charge Information	(916) 322-0507
Magnetic Media Reporting	(916) 654-6845 Fax: (916) 654-7441	Underground Economy Operations Center	(916) 464-1075 Extension 299 Fax: (916) 464-1020
Alternate Forms Coordinator	(916) 654-9814 Fax: (916) 657-4949	Employment Tax Problem Resolution Office	(916) 654-8957 Fax: (916) 654-6969
New Employee Registry	(916) 657-0529 Fax: (916) 653-5214	EDD on the Internet:	http://www.edd.cahwnet.gov

Nominees sought for Governor's Older Worker Awards

Outstanding older workers, aged 40 and older, and California employers who have demonstrated exemplary older worker hiring practices, are being sought for the fourth annual Governor's Older Worker Recognition Awards program.



Awards will be presented in several categories for older workers and employers in both the private and public sectors. Nomination packets are available through the California Task Force for Employment of Older Workers and may be obtained by calling (916) 654-6502; faxing a request to (916) 657-0040; or by writing the task force at P.O. Box 826880, Sacramento, CA 94280-0001.

Completed nomination forms must be received by the task force no later than December 31, 1996. The Governor's Awards event will be held in May 1997.

California Employer

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The EDD, as a recipient of federal and state funds, is an equal opportunity employer/program and is subject to Section 504 of the Rehabilitation Act and the Americans with Disabilities Act (ADA). To obtain information about accommodations for disabilities, contact your local EDD office, listed in your telephone directory under "State of California, Employment Development Department." TDD users can reach EDD through the California Relay Service at 1-800-735-2929.

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